

Form ADV Wrap Fee Program Brochure Morgan Stanley Smith Barney LLC

Global Investment Solutions Program

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This wrap fee program brochure provides information about the qualifications and business practices of Morgan Stanley Smith Barney LLC (“MSSB”). If you have any questions about the contents of this brochure, please contact us at (914) 225-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about MSSB also is available on the SEC’s website at www.adviserinfo.sec.gov. Registration with the SEC does not imply a certain level of skill or training.

Item 2: Material Changes

This section identifies and discusses material changes to the ADV brochure since the version of this brochure dated March 30, 2012. For more details on any particular matter, please see the item in this ADV brochure referred to in the summary below.

Ownership of MSSB; Merger of Investment Advisory Programs. Prior to June 28, 2013, MSSB was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley (“Morgan Stanley Parent”) and 35% by Citigroup Inc. (“Citi”). On June 28, 2013, Morgan Stanley Parent purchased Citi’s 35% interest in MSSB. Accordingly, MSSB is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

MSSB used to provide investment advisory services through two channels. One channel generally provided the investment advisory programs previously provided by Smith Barney and/or Citigroup Global Markets Inc., and the other channel generally provided the investment advisory programs previously provided by Morgan Stanley & Co. Incorporated. In 2012, MSSB merged the advisory programs previously provided in the Smith Barney and Morgan Stanley channels. (Item 4)

Additional Strategies Available; GIS in Select UMA. In 2012, two additional strategies were added to the Consulting Group Platform: Fundamental Small/Mid-Cap Core Strategy (managed by Fundamental Equity Advisors), and Opportunistic US Equity Strategy (managed by Opportunistic Equity). Also, GIS equity strategies may be offered as investment products in the MSSB Select UMA® program. (Items 4.A and 6.C)

Consulting Group Trust Services. MSSB has made arrangements with external trust companies to enhance the administrative and operational experience of clients who appoint such an external trust company while MSSB provides investment advisory services. These arrangements could pose a conflict of interest. (Item 4.A)

Cash Sweeps. MSSB will, as your custodian, effect “sweep” transactions of uninvested cash and allocations to cash, if any, in your account into:

- interest-bearing bank deposit accounts established under the Bank Deposit Program (“BDP”) at banks affiliated with MSSB or
- money market mutual funds. These money market funds are managed by Morgan Stanley Investment Management Inc. or another MSSB affiliate.

If you do not select a Sweep Investment when you open your account, your Sweep Investment will be BDP if you are eligible. (Item 4.C)

Proxy Voting. Except as described below, if you authorize MSSB to vote proxies on your behalf MSSB votes proxies in a manner consistent with the policy guidelines and vote recommendations of ISS, a third party provider of corporate governance services.

If ISS cannot make a proxy vote recommendation, the MSSB Proxy Voting Committee independently determines how to vote proxies for all GIS clients. (Item 6.C).

Item 3: Table of Contents

Item 1: Cover Page	1
Item 2: Material Changes.....	2
Item 3: Table of Contents	3
Item 4: Services, Fees and Compensation.....	5
A. General Description of Programs and Services	5
Integration of Account Opening Platforms	5
GIS strategies as investment products in the Select UMA ® program.....	6
Accounts Implemented by the Private Portfolio Group	6
Restrictions.....	6
Trade Confirmations, Account Statements and Performance Reviews	6
Consulting Group Trust Services	6
Tax and Legal Considerations	7
Fees	7
B. Comparing Costs	9
C. Additional Fees.....	9
Cash Sweeps.....	9
Funds	10
D. Compensation to Financial Advisors.....	10
Item 5: Account Requirements and Types of Clients	11
Item 6: Portfolio Manager Selection and Evaluation	11
A. Selection and Review of Portfolio Managers for the Programs.....	11
Calculating Portfolio Managers' Performance	11
B. Conflicts of Interest	11
Conflicts of Interest – Related Persons of MSSB Acting as Portfolio Managers.....	11
Other Conflicts of Interest	12
C. Portfolio Managers	14
Description of Advisory Services.....	14
Tailoring Services for Individual Clients	14
Wrap Fee Programs	14
Performance-Based Fees	14
Methods of Analysis and Investment Strategies.....	14
Risks.....	16
Policies and Procedures Relating to Voting Client Securities	17
Item 7: Client Information Provided to Portfolio Managers	18
Item 8: Client Contact with Portfolio Managers	18
Item 9: Additional Information	18
Disciplinary Information	18
Other Financial Industry Activities and Affiliations	22
Code of Ethics	23
Reviewing Accounts	24

Client Referrals and Other Compensation.....	24
Financial Information.....	24
Exhibit: Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement	25

Item 4: Services, Fees and Compensation

Morgan Stanley Smith Barney LLC (“MSSB”, “we” or “us”) is, among other things, a registered investment adviser, a registered broker-dealer, a registered futures commission merchant, and a member of the New York Stock Exchange. MSSB is one of the largest financial services firms in the country with branch offices in all 50 states and the District of Columbia.

Prior to June 28, 2013, MSSB was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley (“Morgan Stanley Parent”) and 35% by Citigroup Inc. (“Citi”). On June 28, 2013, Morgan Stanley Parent purchased Citi’s 35% interest in MSSB. Accordingly, MSSB is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

MSSB used to provide investment advisory services through two channels. One channel (the “SB Channel”) generally provided the investment advisory programs previously provided by Smith Barney and/or Citigroup Global Markets Inc. (“CGM”). The other channel (the “MS Channel”) generally provided the investment advisory programs previously provided by Morgan Stanley & Co. Incorporated (now, Morgan Stanley & Co. LLC) (“MS&Co.”).

In 2012, MSSB merged the SB Channel and MS Channel advisory programs.

MSSB offers clients (“client”, “you” and “your”) many different advisory programs. Many of MSSB’s advisory services are provided by its Consulting Group business unit. Other advisory services are provided by the Morgan Stanley Private Wealth Management division, which is also part of MSSB. You may obtain brochures for other MSSB investment advisory programs at www.morganstanley.com/ADV or by asking your Financial Advisor or (for Morgan Stanley Private Wealth Management clients) your Private Wealth Advisor. (Throughout the rest of this brochure, “Financial Advisor” means either your Financial Advisor or your Private Wealth Advisor, as applicable, unless the context otherwise requires.)

A. General Description of Programs and Services

In the Global Investment Solutions (“GIS”) program, dedicated portfolio managers employed by MSSB (“GIS Portfolio Managers”) or third party subadvisors (“Subadvisors”) make day-to-day investment decisions for clients’ accounts invested in various investment strategies. Several professionally managed strategies are available and are designed to fit a broad range of goals, diversification objectives and risk tolerance levels. Each team of GIS Portfolio Managers or Subadvisor focuses on particular asset classes and investment approaches. In addition to portfolio management, the GIS program provides consulting, custody, brokerage and performance reporting.

Currently, the equity accounts in the GIS program are managed by GIS Portfolio Managers and fixed income accounts are managed by a Subadvisor. MSSB, as investment manager for the GIS program, may change between internal management and

Subadvisors, or change the Subadvisor, in any strategy and in any client account. When MSSB appoints a Subadvisor, MSSB enters into a contract with the Subadvisor and pays the Subadvisor out of the fees that the client pays to MSSB.

Client accounts are generally referred to GIS Portfolio Managers or Subadvisors through the client’s Financial Advisor. The GIS strategies may be customized for your account based on information you provide about your financial situation, investment objectives and reasonable restrictions.

Depending on their particular strategy, GIS Portfolio Managers and Subadvisors may be able to invest in a broad range of securities and financial instruments, including equity securities, warrants, debt securities, commercial paper, certificates of deposits, municipal securities, U.S. government securities, options contracts, futures contracts, private investments in private real estate related companies, and limited partnerships (including limited partnerships for whom certain MSSB affiliates act as general partner and investment adviser). GIS Portfolio Managers and Subadvisors may provide advice with respect to securities issued by foreign governments, agencies and corporations.

GIS Portfolio Managers and Subadvisors may provide advice with respect to a wide variety of instruments generally referred to as derivatives (including forward contracts on securities and foreign currencies, swaps, structured notes, caps, collars, floors, equity-linked securities and liquid yield option notes). GIS Portfolio Managers and Subadvisors may use derivatives consistent with their focus on managing the expected return and the risk exposure of the overall portfolio.

GIS Portfolio Managers and Subadvisors are limited to investing in the types of investments available in the GIS program. The types of investments available may depend, among other things, on whether your account is a PWM account (as defined below).

If you are a client that is a qualified employee benefit plan, as defined under the Employee Retirement Income Security Act of 1974 (“ERISA”), an individual retirement account (“IRA”) described in Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”) or a plan or other arrangement subject to fiduciary and prohibited transaction requirements of substantially similar state, local or foreign law (each, a “Retirement Plan”), any Subadvisor, in providing subadvisory services to you, will be acting as a “fiduciary” and “investment manager” as defined in ERISA, and will be a Qualified Professional Asset Manager as defined in the Prohibited Transaction Exemption 84-14 with respect to your Retirement Plan.

Integration of Account Opening Platforms

Prior to May 28, 2013, we opened GIS accounts on two different operating platforms: the Consulting Group platform (“Consulting Group Platform”) and the Private Wealth Management platform (“PWM Platform”). These platforms ran on different computer systems, had different custody arrangements and used different processes in some respects. On May 28, 2013, all accounts on the PWM Platform transitioned to the Consulting Group Platform. Now that this

transition is complete, all clients' assets in GIS accounts (other than DVP accounts and certain "sweep assets") are custodied at MSSB. Although all GIS accounts are now on the same platform, some GIS accounts are still designated as Private Wealth Management ("PWM") accounts, and different investment strategies and fee schedules are generally available to PWM accounts. PWM accounts are serviced by Private Wealth Advisors.

For a description of investment strategies offered by GIS Portfolio Managers and Subadvisors, see Item 6.C below.

GIS strategies as investment products in the Select UMA ® program

GIS equity strategies may be offered as investment products in the MSSB Select UMA program. This is available whether you have a Financial Advisor or a Private Wealth Advisor, but is not available in Retirement Plan accounts or Coverdell Education Savings Accounts. For more information please see the Select UMA ADV brochure, which is available at www.morganstanley.com/ADV or by asking your Financial Advisor.

Accounts Implemented by the Private Portfolio Group

MSSB's Private Portfolio Group ("PPG") implements:

- accounts managed by the Applied Equity Advisors team.
- all accounts managed by the Fundamental Equity Advisors team.
- all accounts managed by the Opportunistic Equity team, and
- GIS strategies in the MSSB Select UMA program.

For these strategies, PPG implements investment instructions from the GIS Portfolio Manager team concerning the securities to buy, sell or hold in client accounts (and determines the number of such securities) according to rules and procedures agreed with the GIS Portfolio Manager team, and places trade orders with broker-dealers selected by PPG. When PPG implements an account, PPG is responsible for reviewing client account-opening information (see Item 7 below) and implementing client restrictions (discussed below).

Restrictions

You may impose reasonable restrictions on account investments. For example, you may restrict us or a Subadvisor from buying specific securities or a category of securities (e.g., tobacco companies). If you restrict a category of securities, we will determine which specific securities fall within the restricted category. In doing so, we may rely on outside sources (e.g. standard industry codes, or research provided by independent service providers). If your restrictions are based on credit ratings, we may rely on information from sources including Nationally Recognized Statistical Rating Organizations (NRSROs) such as Standard & Poor's, Moody's or Fitch.

Trade Confirmations, Account Statements and Performance Reviews

Unless you have appointed another custodian, MSSB is the custodian and provides you with written confirmation of securities transactions, and account statements at least quarterly.

You may waive the receipt of trade confirmations after the completion of each trade in favor of alternative methods of communication where available.

We provide periodic reviews of your account. These reviews show how your account investments have performed, both on an absolute basis and on a relative basis compared to recognized indices (such as Standard & Poor's indices). You may access these reports through MSSB's online account services site. To enroll your account in the online account service site, please go to <https://www.morganstanleyclientserv.com/FreeContent/Enrollments/Identification.aspx> and follow the step-by-step instructions. If, however, you would like to receive these reports by mail, please call 1-888-454-3965.

Clients with PWM accounts may elect to receive written PWM Performance Reports on a monthly basis. These reports contain tabular and graphical displays showing how your investments have performed on an absolute basis and may include a comparison to recognized indices. You may access your PWM account supplemental reports through PWM's online account services site. Additionally, through the online account services site we also provide account performance through the most recent close of business. To enroll in the PWM online account service site, contact your Private Wealth Advisor.

Consulting Group Trust Services

In the GIS program, MSSB may offer fully integrated wealth management solutions, which may include trusts. MSSB will not accept an appointment as, nor will it act as, a trustee (an MSSB affiliate, such as Morgan Stanley Private Bank, National Association, may be serving as trustee for existing accounts and is closed to new accounts). In order to offer to you complete solutions, MSSB has created the Consulting Group Trust Services Program ("CG Trust Services") with external trust companies (including external banks which may serve as a corporate trustee) to provide trustee services for the assets in your account while you receive investment advisory services from MSSB.

To receive trustee services through CG Trust Services, you and your attorney will create separate agreements with an external trust company to govern the trust and you will appoint a trustee to act on your behalf; in certain situations, you may appoint separate administration and investment trustees. You or your designees will sign these separate agreements and may pay a separate fee to your attorney. External trust companies and MSSB typically charge separate fees to CG Trust Services client accounts for their respective services, which may be higher than fees charged to clients outside of the CG Trust Services program for comparable services. In certain limited circumstances, MSSB will compensate an external trust company for the services it provides to a client account. Neither MSSB nor your Financial Advisor will be paid by the external trust company. In certain circumstances, MSSB or an affiliate may pay compensation to or receive an indirect economic benefit from an unrelated third party (see: "Client Referrals and Other Compensation", Item 9 below).

As part of CG Trust Services, you or your selected trustee, with investment authority, may delegate investment discretion directly to MSSB or receive non-discretionary investment advisory services through the programs offered by Consulting Group. Additionally, *certain* external trust companies have contractually agreed to attempt to use the services (including MSSB custody services) described in this brochure for each CG Trust Services client (and in some cases, former CG Trust Services clients), unless the client has issued contrary instructions, and so long as such use of MSSB services will not cause the external trust company to violate any duty or obligation. Consequently, regardless of the external trust company you select, unless you have appointed another custodian, you can custody your assets at MSSB through CG Trust Services. Accounts outside of CG Trust Services may be subject to different custody arrangements. MSSB has made arrangements to have a number of external trust companies participate in CG Trust Services, as described above. While these arrangements are designed to enhance the administrative and operational experience of clients who appoint such an external trust company and MSSB to service the same assets, these arrangements could pose a conflict of interest for MSSB and its representatives by creating an incentive for them to introduce their clients to those external trust companies who have such arrangements with CG Trust Services over other external trust companies.

The decision to participate in CG Trust Services and the selection of the trustee and attorney are your decision and responsibility. MSSB and its affiliates do not provide tax and legal advice (see: "Tax and Legal Considerations", in this Item 4(A) below). For additional information and to determine eligibility for CG Trust Services, please contact your Financial Advisor.

Tax and Legal Considerations

Switching from one GIS strategy to another, moving from management by a team of GIS Portfolio Managers to management by a Subadvisor (or vice versa), changing Subadvisors, or moving your assets from the GIS program to another type of account, may result in sales of securities and subject you to additional income tax obligations. Consult your independent tax or legal advisor with respect to the services described in this brochure, as MSSB and its affiliates do not provide tax or legal advice.

Fees

We charge an annual fee for our services in the GIS program, based on the assets under management in your account and payable quarterly. Except as stated below, the maximum annual rates for various account sizes are:

<u>Type of account</u>	<u>Rate (less than \$5 million)</u>	<u>Rate (\$5 million but less than \$10 million)</u>	<u>Rate (\$10 million or more)</u>
Equity	2.85%	2.80%	2.75%
Tax-enhanced equity	2.75%	2.70%	2.70%
International, Global and Global Inflation Linked fixed income	2.75%	2.75%	2.70%
U.S. Taxable, Corporate and US Inflation Linked fixed income	2.70%	2.70%	2.70%
Tax Advantaged and Crossover fixed income	2.65%	2.65%	2.65%
Liquidity management	2.55%	2.55%	2.55%

If your account meets the stated account size, the rate applies to all assets in your account. This fee consists of two components:

- (1) The first component is a management fee charged by MSSB, which pays the costs and expenses of the Consulting Group business unit, including GIS and PPG, as well as the fees that MSSB pays to any Subadvisor. Those expenses may be more or less than the aggregate management fees collected. The maximum annual rates for the management fee component for various account sizes are:

<u>Type of account</u>	<u>Rate (less than \$5 million)</u>	<u>Rate (\$5 million but less than \$10 million)</u>	<u>Rate (\$10 million or more)</u>
Equity ¹	0.35%	0.30%	0.25%
Tax-enhanced equity ¹	0.25%	0.20%	0.20%
International, Global and Global Inflation Linked fixed income ¹	0.25%	0.25%	0.20%
U.S. Taxable, Corporate and US Inflation Linked fixed income (subadvised by Chilton)	0.20%	0.20%	0.20%
U.S. taxable	0.25%	0.25%	0.20%

fixed income (subadvised by BlackRock) ^{1,2}			
Tax-Advantaged and Crossover fixed income (subadvised by Chilton)	0.15%	0.15%	0.15%
U.S. municipals (subadvised by BlackRock) ^{1,2}	0.25%	0.25%	0.20%
Liquidity management	0.05%	0.05%	0.05%

¹ Based on the value when the account is opened or, if applicable, when a Subadvisor becomes responsible for managing the account.

² If you selected BlackRock Investment Management, LLC as subadvisor before June 25, 2012, the rates for U.S. municipals are 15 bps regardless of account size, and for U.S. fixed income are 20 bps regardless of account size.

If your account meets the stated account size, the rate applies to all assets in your account.

- (2) The second component, at a maximum rate of 2.5%, covers consulting and other services provided by your Financial Advisor.

Exceptions: The maximum annual fee rates shown below, for various levels of assets under management, apply if:

- (a) your client agreement was created before May 16, 2011 (even if you do not sign it until after that date), your account was on the PWM Platform and you are investing in a strategy managed by Applied Equity Advisors or a fixed income strategy managed by a Subadvisor or
- (b) after May 16, 2011, you are a PWM client who invested through the Investment Group program (the predecessor program to the GIS program) or the GIS program under the below pricing structure, and you and your Private Wealth Advisor agree that the pricing covering your existing account(s) also applies to a new account you open in the GIS program.

U.S. Equity Accounts

First \$3 million	1.50%
Next \$7 million	1.25%
Next \$10 million	1.00%
Over \$20 million	0.80%

International EAFE or Global Equity Accounts

First \$5 million	1.50%
Next \$10 million	1.25%
Over \$15 million	1.00%

U.S. Taxable Fixed Income Accounts

\$5 million	0.65%
Next \$10 million	0.60%
Next \$10 million	0.55%
Over \$25 million	0.50%

U.S. Tax-Exempt Fixed Income Accounts

First \$5 million	0.50%
Next \$10 million	0.45%
Next \$10 million	0.40%
Over \$25 million	0.35%

U.S. Balanced Accounts

First \$5 million	1.00%
Next \$5 million	0.90%
Next \$10 million	0.80%
Over \$20 million	0.75%

U.S. Liquidity Accounts

First \$50 million	0.20%
Over \$50 million	0.15%

International or Global Fixed Income Accounts

First \$5 million	0.75%
Next \$20 million	0.60%
Over \$25 million	0.50%

International or Global Liquidity/Short Duration Accounts

First \$50 million	0.25%
Over \$50 million	0.20%

If this exception pricing applies to your account, usually 80% of the fee you pay covers consulting and other services provided by your Financial Advisor or Private Wealth Advisor, and 20% of the fee covers the costs and expenses of the Consulting Group business unit. Your Financial Advisor or Private Wealth Advisor may make more compensation under the exception pricing structure than under the general pricing structure and therefore have an incentive to recommend that you open an account under the exception pricing structure. If a Subadvisor is appointed for your account, this exception pricing ceases to apply and the fee you pay to MSSB is instead split between the two components described above (i.e. a management fee of the amount shown in the management fee table earlier in this "Fees" section, and a component to cover the consulting and other services provided by your Financial Advisor).

The annual fee for a GIS equity strategy that may be offered as an investment product in the Select UMA program is 0.30% to 0.35%, depending on the equity strategy.

Fees are Negotiable. The overall level of fees you pay for the GIS program is negotiable based on a number of factors (including the type and size of the account and the range of services we provide). In special circumstances, and with the client's agreement, the fee charged to a client for an account may be more than the maximum annual fee stated in this section.

ERISA Fee Disclosure for Qualified Retirement Plans. In accordance with new Department of Labor regulations under Section 408(b)(2) of ERISA, effective July 1, 2012, MSSB is required to provide certain information regarding our services and compensation to assist fiduciaries and plan sponsors of those Retirement Plans that are subject to the requirements of ERISA in assessing the reasonableness of their plan's contracts or arrangements with us, including the reasonableness of our compensation. This information (the services we provide as well as the fees) is provided to you at the outset of your relationship with us and is set forth in your advisory contract with us (including the Fee table, other exhibits and, as applicable, this document), and then at least annually to the

extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA.

B. Comparing Costs

Program fees vary across different programs. You may be able to obtain similar services separately for a lower fee from MSSB or elsewhere. Several factors determine whether it would cost more or less to participate in a program than to purchase the services separately (including the size of your account, the types of investments, whether the investments involve costs in addition to the program fee, and the amount of trading in the account). In addition, you may be able to obtain certain services or gain access to particular securities for a lower fee in one program as opposed to another.

You should consider these and other differences when deciding whether to invest in an investment advisory or a brokerage account and, if applicable, which advisory programs best suit your individual needs.

C. Additional Fees

If you open a GIS account, you pay us an asset-based fee for our services including, where applicable, custody of securities and trade execution through MSSB. The program fees do not cover:

- the costs of investment management fees and other expenses charged by funds (see below for more details)
- “mark-ups,” “mark-downs,” and dealer spreads that (A) we or our affiliates may receive when acting as principal in certain transactions where permitted by law or (B) other broker-dealers may receive when acting as principal in certain transactions effected through us and/or our affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income and over-the-counter equity)
- brokerage commissions or other charges resulting from transactions not effected through us or our affiliates
- MSSB account establishment or maintenance fees for Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are described in the respective IRA and VIP account and fee documentation (which may change from time to time)
- account closing/transfer costs
- processing fees or
- certain other costs or charges that may be imposed by third parties (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

Cash Sweeps

Generally, some portion of your account will be held in cash. MSSB, as your custodian, will effect “sweep” transactions of uninvested cash and allocations to cash, if any, in your account into:

- interest-bearing bank deposit accounts (“Deposit Accounts”) established under the Bank Deposit Program (“BDP”) or

- money market mutual funds (each, a “Money Market Fund” and, together with BDP Deposit Accounts, “Sweep Investments”). These Money Market Funds are managed by Morgan Stanley Investment Management Inc. or another MSSB affiliate.

If you do not select a Sweep Investment when you open your account, your Sweep Investment will be BDP if you are eligible.

Clients that are considered Retirement Plans or Coverdell Education Savings Accounts should read Exhibit to this brochure (“Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement”).

The custodian will effect sweep transactions only to the extent permitted by law and if you meet the Sweep Investment’s eligibility criteria.

Bank Deposit Program. Through the Bank Deposit Program, Deposit Accounts are established for you at one or more of the following banks (individually and collectively, the “Sweep Banks”): (i) Morgan Stanley Bank, N.A. and/or (ii) Morgan Stanley Private Bank, National Association. The Sweep Banks are affiliated with MSSB. The Sweep Banks pay interest on the Deposit Accounts established under the BDP. Your deposits at the Sweep Banks will be insured by the Federal Deposit Insurance Corporation (“FDIC”) up to applicable limits, in accordance with FDIC rules, and subject to aggregation of all the accounts (including certificates of deposit) that you hold at the Sweep Banks in the same capacity. Bank deposits held through the BDP are not covered by SIPC or excess coverage.

If BDP is your Sweep Investment, you authorize us, as your agent, to establish the Deposit Accounts for you, and to make deposits into, withdrawals from and transfers among the Deposit Accounts.

Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which will be provided to you upon your first investment in the Bank Deposit Program. You may also obtain the Bank Deposit Program Disclosure Statement as well as current interest rates applicable to your account, by contacting your Financial Advisor or through MSSB’s web site at www.morganstanley.com/wealth/services/bankdepositprogram.asp. We may amend the list of Sweep Banks at any time with or without notice to you. If you are participating in the Bank Deposit Program, please read the Bank Deposit Program Disclosure Statement carefully.

Please note the following: (i) you are responsible to monitor the total amount of deposits you have at each Sweep Bank in order to determine the extent of FDIC insurance coverage available to you; and (ii) MSSB and its affiliates are not responsible for any insured or uninsured portion of your deposits at any of the Sweep Banks.

If BDP is your Sweep Investment, you should be aware that each Sweep Bank will pay MSSB a fee equal to the percentage of the average daily deposit balances in your Deposit Account at the Sweep Banks. Your Financial Advisor will not receive a portion

of these fees or credits. In addition, MSSB will not receive cash compensation or credits in connection with the BDP for assets in the Deposit Accounts for Retirement Plans or Coverdell Education Savings accounts. Also, the affiliated Sweep Banks have the opportunity to earn income on the BDP assets through lending activity, and that income is usually significantly greater than the fees MSSB earns on affiliated Money Market Funds. Thus, MSSB has a conflict of interest in selecting or recommending BDP as the Sweep Investment, rather than an eligible Money Market Fund.

Unless otherwise specifically disclosed to you in writing, such as in connection with the Bank Deposit Program noted above, investments and services offered through MSSB are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by, the Sweep Banks, and involve investment risks, including possible loss of the principal invested.

Money Market Funds. We may, in our sole discretion, offer Money Market Funds as Sweep Investments. The Money Market Funds are affiliated with MSSB. You understand that purchases and redemptions of Money Market Fund shares may be effected only through MSSB and that you may not directly access the Money Market Fund.

If a Money Market Fund is your Sweep Investment, you authorize us, as your agent, to make investments in, and redemptions from, the Money Market Fund.

Each of these Money Market Funds is a separate investment with different investment objectives. Their fees, expenses, minimum investment requirements, dividend policies and procedures may vary. Before you invest in any Money Market Fund, read its prospectus carefully. Money Market Fund shares are neither insured nor protected by the FDIC. Investment in any money market fund is a purchase of securities issued by the money market fund, not a bank deposit.

Certain of the Money Market Funds described above have minimum investment requirements. In addition, MSSB may require a minimum initial investment to activate some or all of the Sweep Investments. If you do not meet the minimum initial investment, uninvested cash and allocations to cash in eligible accounts will be invested in the BDP.

In addition, certain of the Money Market Funds have minimum balance requirements. For eligible accounts, if your investment falls below the minimum balance requirement, MSSB may redeem and reinvest all of your shares in the BDP. Once your sweep option has been changed, we will not automatically change it back to your previous Sweep Investment even if you meet the minimum initial investment and/or balance requirements. You must contact your Financial Advisor to do so. However, if a pattern develops of falling below the minimum balance requirement, we may preclude you from investing in that Sweep Investment in the future.

We may offer other money market funds as a non-sweep investment choice. You may purchase shares in these money market funds by giving specific orders for each purchase to your

Financial Advisor. However, uninvested cash in your account will not be swept into these money market funds.

Since the Money Market Funds are sponsored or managed by MSSB affiliates, those MSSB affiliates receive advisory fees and may receive other fees from the Money Market Funds if your account cash balances are invested in the Money Market Funds. Therefore, MSSB has a conflict of interest in selecting or recommending the Money Market Funds as your Sweep Investment. For Retirement Plans with cash balances invested in Money Market Funds sponsored or managed by MSSB affiliates, certain fees received and retained by such MSSB affiliates will be credited to the account or offset against the advisory program fee. Please see the attached Exhibit "Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement" for more details.

The above provisions may not apply if you are not a U.S. resident. If you are not a U.S. resident, please contact your Financial Advisor to determine whether the BDP or a Money Market Fund will be your default Sweep Investment.

Funds

If GIS Portfolio Managers or a Subadvisor invests in a collective investment vehicle such as a Money Market Fund, exchange-traded fund or closed-end fund, any such fund may pay its own separate investment advisory fees and other expenses to the fund manager or other service provider. In both cases, these fees or expenses will be in addition to the fee you pay us. (Money Market Fund fees and expenses are offset against the Fee or credited to the account for retirement accounts and Coverdell Education Savings Accounts investing in a Money Market Fund. See Exhibit to this brochure for more details.)

D. Compensation to Financial Advisors

If you invest in the GIS program, we allocate to your Financial Advisor, on an ongoing basis, part of the fees payable to us in connection with your account. The Financial Advisor may receive different compensation depending on which program and strategy you invest in, and the rate and amount of your fee.

The amount we allocate to your Financial Advisor in connection with GIS accounts may be more than if you participate in other MSSB investment advisory programs, or if you pay separately for investment advice, brokerage and other services. For example, a Financial Advisor may earn more in the GIS program than if you invest with an unaffiliated manager in another of our programs and pay the same overall client fee. ***While the component of the overall client fee allocated to your Financial Advisor is generally subject to the same maximum rates in the GIS program as in unaffiliated manager programs, the payment to unaffiliated managers is usually higher than the management fee component in GIS. Therefore, if your Financial Advisor sets his or her component of the overall client fee at the same level for GIS as for an unaffiliated manager program, your overall client fee would typically be lower in the GIS program. This is true regardless of whether your account is managed by GIS Portfolio Managers or a Subadvisor. Therefore, if your overall client fee is the same in GIS as in the unaffiliated manager program, generally more of***

the overall client fee is allocated to your Financial Advisor in the GIS program than in the unaffiliated manager program.

The compensation we pay Financial Advisors with respect to program accounts is typically higher than the compensation we pay Financial Advisors with respect to transaction-based brokerage accounts. Your Financial Advisor may therefore have a financial incentive to recommend the GIS program instead of other MSSB programs or services.

If you invest in the GIS program, your Financial Advisor may charge a fee less than the maximum fee stated above. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisors have a financial incentive not to reduce fees.

Item 5: Account Requirements and Types of Clients

Account Minimums. The account minimums are generally:

- \$100,000 for equity accounts
- U.S. fixed income accounts, U.S. municipal accounts and liquidity accounts: variable depending on the GIS Portfolio Manager or Subadvisor.

We may accept smaller accounts, or impose a higher minimum. If your account falls below the account minimum, we may require you to deposit additional cash or securities to bring your account up to the account minimum or close the account.

Types of Clients. Our investment advisory clients include individuals, trusts, banking or thrift institutions, pension and profit sharing plans, plan participants, other pooled investment vehicles (e.g., hedge funds), charitable organizations, corporations, other businesses, state or municipal government entities, investment clubs and other entities.

Item 6: Portfolio Manager Selection and Evaluation

A. Selection and Review of Portfolio Managers for the Programs

GIS Portfolio Managers are employees of MSSB (or an affiliate). Subadvisors are third party managers that are not affiliated with MSSB. Neither the GIS Portfolio Managers nor the Subadvisors are subject to the same evaluation processes applying to third party managers in many of our other investment advisory programs.

In conducting due diligence on Subadvisors, MSSB considers factors such as personnel, investment process, business and organization characteristics, and investment performance. This due diligence may be different from that in other MSSB advisory programs.

A team of GIS Portfolio Managers or a Subadvisor must be approved by MSSB's Global Products Committee before MSSB

offers the associated strategies to clients. The Global Products Committee considers the overall proposal, and operational, information technology, risk, legal, compliance and other factors.

Once a team of GIS Portfolio Managers or a Subadvisor is approved to offer strategies in the GIS program, the Global Investment Solutions Investment Risk, Control and Compliance Committee ("IRCC") oversees various of the team's or Subadvisor's activities, including whether it is implementing each of its strategies consistently with its stated process. GIS Portfolio Managers cannot be IRCC voting members. If the IRCC is not satisfied with the investment management exercised by a team or a Subadvisor, it raises its concern to GIS senior management and ultimately to the MSSB Risk Committee. Senior MSSB business executives also regularly review the GIS business. We may cease to offer strategies in the GIS program for any reason, including if the IRCC raises significant issues that are not satisfactorily resolved or we wish to terminate a strategy for business reasons.

If you are considering investing in the GIS program, your Financial Advisor will help you identify your investment objectives, risk tolerance and investment time horizons (whether by using an Investor Questionnaire or otherwise). Based on your responses, your Financial Advisor will identify suitable GIS strategies for you. Please discuss with your Financial Advisor any changes in your investment objectives, risk tolerance or investment time horizons, so that you can consider whether you should remain invested in your GIS strategy or switch to another strategy or investment product in the GIS program or in another program.

Calculating Portfolio Managers' Performance

In the GIS program we present, in reports available to clients, 10 years of performance history for each Applied Equity Advisors strategy. We calculate this performance using asset-weighted monthly performance returns for the GIS Portfolio Managers' composite data. Subadvisors may also present composite performance reports.

We do not have a third party review this composite return data. The GIS Portfolio Managers assign client accounts to performance composites. On a periodic basis, program management personnel review this data to check for consistency between accounts invested in the same strategy. Management reviews any outlier accounts in each strategy to determine the reason for the deviation from the average returns.

B. Conflicts of Interest

Conflicts of Interest – Related Persons of MSSB Acting as Portfolio Managers

If your account is managed by a team of GIS Portfolio Managers, the portfolio managers are employed by MSSB (or an affiliate), and hence are related persons of MSSB. In this case, MSSB retains all the client fee you pay in the GIS program. In contrast, in other MSSB investment advisory programs in which

an unaffiliated third party manager acts as your portfolio manager:

- we pay to the manager some of the fee we receive from you or
- you pay separate fees to us for our services and to the portfolio manager for its services.

If your account is managed by a Subadvisor, MSSB pays to the Subadvisor some of the fee you pay to MSSB, but generally less than MSSB pays to unaffiliated third party managers managing similar strategies in other investment advisory programs.

For a given level of client fees covering portfolio management and other services, we (and in some cases also your Financial Advisor) earn more:

- if you invest in the GIS program than in our investment advisory programs offering unaffiliated managers or
- if you invest in a GIS strategy managed by a GIS Portfolio Management team than if you invest in a GIS strategy managed by a Subadvisor.

This creates a conflict of interest for Financial Advisors and MSSB, as there is a financial incentive to recommend the GIS program and, within the GIS program, to recommend a strategy managed by a team of GIS Portfolio Managers. We address this conflict of interest by disclosing it to you and by requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

Other Conflicts of Interest

As well as the conflicts of interest arising from our employees acting as portfolio managers, we have various other conflicts of interests relating to the GIS program.

Advisory vs. Brokerage Accounts. MSSB and your Financial Advisor are likely to earn more compensation if you invest in the GIS program than if you open a brokerage account to buy individual securities (although, in a brokerage account, you would not receive all the benefits available to you in the GIS program). Financial Advisors and MSSB therefore have a financial incentive to recommend the GIS program. We address this conflict of interest by disclosing it to you and by requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

Selecting Subadvisors. MSSB has appointed subadvisors for the fixed income strategies. For U.S. municipal accounts, and U.S. fixed income accounts opened with less than \$10,000,000, MSSB pays different fees to the subadvisor depending on which subadvisor you choose. For the same overall client fee for such an account, MSSB (and your Financial Advisor) make more compensation if you select Chilton Private Clients, LLC as your subadvisor than if you select BlackRock Investment Management, LLC as your subadvisor. Alternatively, if your Financial Advisor sets his or her component of the overall client fee at the same level for such an account regardless of which

subadvisor you select, your overall client fee would be lower if you select Chilton Private Clients, LLC as your subadvisor.

Different Advice. MSSB, MS&Co., Subadvisors and their affiliates may give different advice, take different action, receive more or less compensation, or hold or deal in different securities for any other party, client or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received or securities held or dealt for your account.

Trading or Issuing Securities in, or Linked to Securities in, Client Accounts. MSSB, MS&Co., Subadvisors and their affiliates may provide bids and offers, and may act as principal market maker, in respect of the same securities held in client accounts. MSSB, the managers in its programs, MS&Co., Subadvisors and their affiliates and employees may hold a position (long or short) in the same securities held in client accounts. MSSB, MS&Co. and/or their affiliates are regular issuers of traded financial instruments linked to securities that may be purchased in client accounts. From time to time, MSSB (or an affiliate's) or a Subadvisor's trading – both for its proprietary account and for client accounts – may be detrimental to securities held by a client and thus create a conflict of interest. We address this conflict by disclosing it to you.

Trade Allocations. Your GIS Portfolio Managers may aggregate the securities to be sold or purchased for more than one client to obtain favorable execution to the extent permitted by law. They will then allocate the trade in a manner that is equitable and consistent with MSSB's fiduciary duty to its clients (including pro rata allocation, random allocation or rotation allocation). Allocation methods vary depending on various factors (including the type of investment, the number of shares purchased or sold and the amount of available cash or the size of an existing position in an account). The price to each client is the average price for the aggregate order. Subadvisors may also aggregate securities, as described in their ADV brochures.

Services Provided to Other Clients. MSSB, MS&Co. and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts. MSSB, MS&Co. and their affiliates receive compensation and fees in connection with these services. MSSB believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account. Accordingly, it is likely that securities in an account will include some of the securities of companies for which MSSB, MS&Co., and their affiliates perform investment banking or other services.

Restrictions on Securities Transactions. There may be periods during which MSSB is not permitted to initiate or recommend certain types of transactions in the securities of issuers for which MS&Co. or one of its affiliates is performing broker-dealer or investment banking services or have confidential or material non-public information. Furthermore, in certain investment advisory programs, MSSB may be compelled to forgo trading in,

or providing advice regarding, Morgan Stanley Parent securities, and in certain related securities. These restrictions may adversely impact your account performance.

MSSB and its affiliates may also develop analyses and/or evaluations of securities sold in a program described in this brochure, as well as buy and sell interests in securities on behalf of their proprietary or client accounts. These analyses, evaluations and purchase and sale activities are proprietary and confidential, and MSSB will not disclose them to clients. MSSB may not be able to act, in respect of clients' account, on any such information, analyses or evaluations.

MSSB and its affiliates are not obligated to effect any transaction that they believe would violate federal or state law, or the regulations of any regulatory or self-regulatory body.

Research Reports. MS&Co. does business with companies covered by its research groups. Furthermore, MS&Co. and its affiliates, and client accounts, may hold a trading position (long or short) in the securities of companies subject to such research. Therefore, MS&Co. has a conflict of interest that could affect the objectivity of its research reports.

Certain Trading Systems. MSSB may effect trades on behalf of client accounts through exchanges, electronic communication networks or other alternative trading systems ("Trading Systems"), including Trading Systems in which MSSB or its affiliates may have a direct or indirect ownership interest, or on which MSSB or its affiliates may have a board seat. In certain instances, MSSB and/or its affiliates may be deemed to control one or more of such Trading Systems based on the level of such ownership interest, and whether MSSB or its affiliates are represented on the board of such Trading Systems. If MSSB directly or indirectly effects client trades through Trading Systems in which MSSB or its affiliates have an ownership interest, MSSB or its affiliates may receive an indirect economic benefit based on their ownership interest. In addition, subject at all times to its obligations to obtain best execution for its customers' orders, it is contemplated that MSSB will route certain customer order flow to its affiliates. Currently, MSSB and/or its affiliates (including affiliates of MS&Co) own over 5% of the voting securities of certain Trading Systems, including BATS Trading, Inc., operator of BATS Electronic Trading Network (commonly known as "BATS"); the entities that own and control the Block Interest Discovery System (commonly known as "BIDS"); MTS Portugal; iSWAP; TheMuniCenter; Boston Options Exchange, LLC; Chi-X Global Holdings LLC; the entity that owns and controls Pure Trading (Canadian National Stock Exchange, or "CNSX"); NYSE Life US; OTC DerivNet; TradeWeb; and MARKIT. The Trading Systems on which MSSB trades for client accounts and in which MSSB or its affiliates own interests may change from time to time. You may contact your Financial Advisor for an up-to-date list of Trading Systems in which MSSB or its affiliates own interests and on which MSSB and/or MS&Co. trades for client accounts. Certain Trading Systems offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that MSSB and/or MS&Co. receives from one or more Trading System may exceed the amount that is

charged. Under these limited circumstances, such payments would constitute payment for order flow.

Certain Trading Systems through which MSSB and/or MS&Co. may directly or indirectly effect client trades execute transactions on a "blind" basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a client account that is executed through such a Trading System could be automatically matched with a counterparty that is (i) another investment advisory or brokerage client of MSSB or one of its affiliates or (ii) MSSB or one of its affiliates acting for its own proprietary accounts.

Transaction-Related Agreements with MS&Co., Citi and Affiliates. In connection with creating the joint venture, certain agreements were entered into between or involving some or all of MSSB, MS&Co, Citi, CGM and their affiliates. Some of these agreements, including the following, remain in effect even though MSSB is now a wholly owned subsidiary of Morgan Stanley Parent:

- **Distribution.** An agreement that, in return for the payment of certain fees and expenses, MSSB will market and promote certain securities and other products underwritten, distributed or sponsored by MS&Co., Citi or their affiliates. MSSB has a conflict of interest in offering, recommending or purchasing any such security or other product to or for its investment advisory clients.
- **Investment Research.** An agreement that MS&Co. and CGM (or their applicable affiliates) will supply investment research prepared by their respective research groups to MSSB for its use. It is possible that MS&Co.'s research group, on the one hand, and Citi's research group, on the other hand, may reach different conclusions, and may make different recommendations, with respect to the same issuer or investment manager. This may, among other things, result in different investment decisions or recommendations regarding the same issuer or investment manager being made for or given to MSSB investment advisory clients.

Affiliated Sweep Investments. MSSB has a conflict of interest in selecting or recommending BDP or Money Market Funds as the Sweep Investment. See Item 4.C above for more information.

Nonpublic Information. In the course of investment banking or other activities, MSSB may from time to time acquire confidential or material nonpublic information that may prevent MSSB, for a period of time, from purchasing or selling particular securities for the account. You acknowledge and agree that MSSB will not be free to divulge or to act upon this information with respect to their advisory or brokerage activities, including their activities with regard to the account. This may adversely impact the investment performance of the account.

Other Investment Products Available. Client understands that Subadvisors may offer to the public other investment products such as mutual funds with similar investment styles and holdings as the GIS fixed income strategies. Such products may be offered at differing fees and charges that may be higher or lower than the fees imposed by MSSB for the GIS program.

Other Business with Certain Firms. Certain investment management firms (which may include Subadvisors) do other business with MSSB or its affiliates.

Block Trades. PPG or a Subadvisor may direct some block trades to MSSB for execution, which blocks may include trades for other clients of MSSB and/or PPG or a Subadvisor. Although MSSB executes these block trades at no commission, MSSB may obtain a benefit from executing these block trades, as a result of the increased trading volume attributable to these blocks.

Consulting Group Trust Services. MSSB has made arrangements to have a number of external trust companies participate in CG Trust Services. *Please see Item 4.A above, for a full description of services and potential conflicts of interest.*

C. Portfolio Managers

Description of Advisory Services

See Item 4.A above for a description of the services offered in the GIS program.

Tailoring Services for Individual Clients

You may ask that your GIS account be managed pursuant to a particular investment strategy offered by the manager or Subadvisor. You may also place restrictions on your account (as discussed above in Item 4.A).

Wrap Fee Programs

If a team of GIS Portfolio Managers manages your account, MSSB acts as both the wrap fee program sponsor and the portfolio manager in the GIS program, and receives all the client fees for its services provided in the GIS program. If a Subadvisor manages your account, MSSB acts as a wrap fee sponsor and investment manager, but not as portfolio manager, and does not retain all the client fees for services provided in the GIS program.

MSSB does not act as portfolio manager in any programs which are not wrap fee programs but are otherwise similar to the GIS program.

Performance-Based Fees

The GIS program does not have performance-based fees.

Methods of Analysis and Investment Strategies

The following teams of GIS Portfolio Managers or Subadvisors offer the strategies listed below. Some strategies are generally only available to PWM accounts. From time to time, to accommodate client requirements, GIS Portfolio Managers or Subadvisors may invest an account in a strategy other than the strategies described below. More detailed information on each strategy is available on request.

Applied Equity Advisors

- **U.S. Core Equity Strategy:** Seeks to achieve long term compounding of returns by investing primarily in mid-large capitalization equities that (i) appear attractive on a valuation basis and (ii) could demonstrate above-average appreciation potential. This is pursued through a series of

quantitative models with a fundamental overlay to identify opportunities. As a majority of a portfolio's return can be defined by its common factors risks, the team believes in a top-down quantitative approach. It uses specific equity selections to maximize its desired country, style and sector distribution.

- **Global Core Equity Strategy:** Seeks to achieve long term compounding of returns by investing primarily in global, mid-large capitalization equities that (i) appear attractive on a valuation basis and (ii) could demonstrate above-average appreciation potential. This is pursued through a series of quantitative models with a fundamental overlay to identify opportunities. As a majority of a portfolio's return can be defined by its common factors risks, the team believes in a top-down quantitative approach. It uses specific equity selections to maximize its desired country, style and sector distribution.
- **Global Concentrated Equity Strategy:** Seeks to achieve long term compounding of returns by investing primarily in a limited number of global, mid-large capitalization equities that (i) appear attractive on a valuation basis and (ii) could demonstrate above-average appreciation potential. This is pursued through a series of quantitative models with a fundamental overlay to identify opportunities. As a majority of a portfolio's return can be defined by its common factors risks, the team believes in a top-down quantitative approach. It uses specific equity selections to maximize its desired country, style and sector distribution.
- **Tax Enhanced Customized Solutions Russell 1000 Portfolio:** Seeks to achieve Russell 1000 index-like returns net of fees and strives to generate active realized losses to achieve an attractive after-tax return. Portfolios hold only a representative basket, selected from the Russell 1000 Index (typically 200-300 securities), normally with an overall tracking error of less than 2% to the underlying index. Holdings are aligned closely with industry, sector, style, capitalization and other factors of the target Russell 1000 index. (The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 of the largest securities based on a combination of their market capitalization and current index membership. The index represents approximately 92% of the U.S. market.) The team uses quantitative models to (i) identify factors that drive risks and returns for an index universe, (ii) seek to optimize portfolios based on relative risks, tax and tracking-error constraints and (iii) manage existing positions. Portfolios are generally rebalanced monthly to realize losses, when available, and realign within necessary constraints
- **Tax Enhanced Customized Solutions Russell 3000 Portfolio:** Seeks to achieve Russell 3000 index-like returns net of fees and strives to generate active realized losses to achieve an attractive after-tax return. Portfolios hold only a representative basket, selected from the Russell 3000 Index (typically 200-300 securities), normally with an overall tracking error of less than 2% to the underlying index. Holdings are aligned closely with industry, sector, style, capitalization and other factors of the target Russell 3000 index. (The Russell 3000 Index measures the

performance of the large-cap segment of the U.S. equity universe. It includes approximately 3000 of the largest securities based on a combination of their market capitalization and current index membership. The index represents approximately 98% of the U.S. market.) The team uses quantitative models to (i) identify factors that drive risks and returns for an index universe, (ii) seek to optimize portfolios based on relative risks, tax and tracking-error constraints and (iii) manage existing positions. Portfolios are generally rebalanced monthly to realize losses, when available, and realign within necessary constraints.

Fixed Income Strategies

Fixed income accounts are managed by a Subadvisor (as described below).

BlackRock Investment Management, LLC (Subadvisor)

BlackRock Investment Management, LLC or one of its affiliates (“BlackRock”) is managing fixed income accounts for which clients indicated that they wanted BlackRock as the Subadvisor. BlackRock is the world’s largest asset manager. BlackRock has expertise in managing the assets of high net worth individuals. BlackRock’s investment philosophy is based on combining risk management with a disciplined process to focus on preservation of principal, current income, high liquidity and reduced volatility. The strategies managed by BlackRock as Subadvisor are as follows:

- ***Short-Term Taxable Fixed Income Strategy:*** This investment strategy seeks total return derived from coupon interest and capital appreciation. It invests primarily in government securities, investment grade corporate bonds and asset-backed securities. These portfolios are expected to have durations of one to three years. An investor selecting this strategy may risk some loss of principal.
- ***Short-Term Municipal Fixed Income Strategy:*** This investment strategy seeks total return derived primarily from coupon interest, and secondarily, capital appreciation. It invests in investment grade municipal securities. These portfolios are expected to have durations of one to four years. An investor selecting this strategy may risk some loss of principal.
- ***Intermediate Taxable Fixed Income Strategy:*** This investment strategy seeks total return derived from coupon interest and capital appreciation. It invests primarily in government securities, investment grade corporate bonds, and asset-backed and mortgage-backed securities. These portfolios are expected to have durations of two to five years. An investor selecting this strategy may risk some loss of principal.
- ***Intermediate Municipal Fixed Income Strategy:*** This investment strategy seeks total return derived primarily from coupon interest, and secondarily, capital appreciation. It invests in investment grade municipal securities. These portfolios are expected to have durations of four to eight years. An investor selecting this strategy may risk some loss of principal.
- ***Fundamental Core Taxable Fixed Income Strategy:*** This investment strategy seeks total return derived from coupon interest and capital appreciation. It invests primarily in

government securities, investment grade corporate bonds, and asset-backed and mortgage-backed securities. These portfolios are expected to have durations of three to seven years. An investor selecting this strategy may risk some loss of principal.

- ***Global Fixed Income Strategy:*** This investment strategy seeks total return derived primarily from capital appreciation, and secondarily, coupon interest. It invests in investment grade fixed income securities of US and foreign governments. It gains currency exposure through investment in non-US dollar denominated government securities. Government securities include securities issued or guaranteed by a government or a government agency or instrumentality. Portfolios also may be invested in securities issued by certain international organizations designated or supported by governments or government agencies to promote economic reconstruction or development. Examples of these include the International Bank for Reconstruction and Development (the World Bank) and the Inter-American Development Bank. Selection of this strategy indicates a willingness to assume the additional risks involved with global investing, particularly currency fluctuations and changes in global interest rates.
- ***Long-Term Municipal Fixed Income Strategy:*** This investment strategy seeks total return derived primarily from coupon interest, and secondarily, capital appreciation. It invests in investment grade municipal securities. These portfolios are expected to have durations of six to ten years. An investor selecting this strategy may risk some loss of principal.

Chilton Private Clients, LLC (Subadvisor)

Chilton Private Clients, LLC or one of its affiliates (“Chilton”) is managing fixed income accounts for which clients indicated that they wanted Chilton as the Subadvisor. Chilton is a private, independent firm formed by Chilton Investment Company, LLC, and provides a broad spectrum of wealth management services primarily to high net worth individuals, trusts, family offices and foundations. Chilton believes in the value of extensive proprietary research to support its decision-making and portfolio construction. Chilton’s investment philosophy for the following strategies is to manage dynamic customized client portfolios on a total return basis, consistent with the risk tolerances, financial aspirations and income needs of each client. The strategies managed by Chilton as Subadvisor are as follows:

- ***U.S. Taxable Strategy:*** This strategy provides exposure to a range of USD-denominated fixed income instruments. The portfolio is diversified mainly across U.S. government, sovereign government, global government agencies, supranational and the global corporate sectors of the market. The portfolio managers make active decisions for this strategy based on assessing macro conditions and its internal credit analysis.
- ***Corporate Bond Strategy:*** This strategy provides exposure to a range of investment grade corporate debentures and other fixed income instruments denominated in USD. The portfolio managers make active decisions for this strategy based on assessing macro conditions and their internal credit analysis.

- ***Tax-Advantaged and Crossover Fixed Income Strategies:*** These strategies offer both state-specific and general market tax-advantaged portfolio options. The Crossover strategy combines both municipal and taxable bonds in a single portfolio.
- ***Tax-Advantaged, Taxable and Crossover Liquidity Management Strategies:*** These strategies provide either tax advantaged, taxable or a combination of tax-advantaged and taxable alternatives to liquidity needs with a targeted duration of three years or less.
- ***International Fixed Income Strategy:*** This strategy invests in non-USD denominated fixed income securities with the goal of diversifying exposure across various currencies and interest rate curves. The process is both top-down and bottom-up value driven, seeking to take advantage of global trends while using currency exposure to enhance return potential and diversification.
- ***Global Fixed Income and Global Government Strategies:*** These strategies invest in global fixed income securities in an effort to diversify exposure across various currencies and interest rate curves. The process is both top-down and bottom-up value driven, seeking to take advantage of global trends while using currency exposure to enhance our return potential and diversification.
- ***U.S. Inflation Linked and Global Inflation-Linked Strategies:*** These strategies provide exposure to fixed income instruments that offer the possibility of protection against adverse inflationary pressure.
- ***Fundamental Small/Mid-Cap Core Strategy:*** This is an actively managed strategy that seeks to outperform the Russell 2500 Index with a focus on risk management. It generally holds 25-60 stocks with market capitalizations ranging from \$150 million to \$15 billion. American Depository Receipts (ADRs), Exchange-Traded Funds (ETFs) and/or closed-end funds may also be used. The team seeks to identify undervalued equity opportunities using a rigorous fundamental approach to security selection. The team manages equity portfolios by focusing on companies possessing strong free cash flow, attractive valuations, profit margin opportunities and changing internal dynamics. Individual security selection is based on, but not limited to, a careful analysis of a company's financial flexibility, earnings quality, valuation, business model and competitive position. The team also evaluates broader industry trends, relative growth and current investor expectations, in an effort to determine a proposed investment's "margin of safety" and risk/reward profile. The team monitors risk at both the portfolio and individual security level, with a focus on bottom-up securities analysis.

The Fundamental Equity Advisors team has been managing client accounts since December 2010. Therefore, the team has limited experience in managing actual client accounts. Before managing client assets, the team created two model portfolios (the Equity Model Portfolio, in 2002, and the Small & MidCap Equity Model Portfolio, in 2004) and maintained these models through September 2010. The strategies offered by the team in the GIS program are different from these model portfolios.

Opportunistic Equity.

- ***Opportunistic US Equity Strategy:*** This is an actively managed US equity strategy that seeks to outperform the S&P 500 Index. The portfolio primarily invests in mid and large capitalization US equities and exchange-traded funds ("ETFs"). The product includes a core component that is implemented using individual equity securities (30-35 names) and an overlay component that is implemented using ETFs. The core component is expected to have a slight quality-bias relative to the S&P 500 over a market cycle, but will be active from a sector allocation perspective. The ETF overlay allocation will be driven by our proprietary Alpha Driver research process. This process identifies factors, styles and sectors that we expect to outperform the broad market over the next 12 months.

Risks

Investing in securities involves risk of loss that you should be prepared to bear. The value of the assets in your account is subject to a variety of factors, such as the liquidity and volatility of the securities markets. We do not guarantee performance, and past performance does not predict your account's future performance. There are material risks involved in investing in any of the above strategies, depending on the investment style, investment process, asset classes in the strategy and other factors:

- Investing in ***stocks*** entails the risks of market volatility. The value of all types of stocks may increase or decrease over varying time periods.

Fundamental Equity Advisors.

- ***Fundamental All-Cap Equity Portfolio:*** An actively managed strategy that seeks to outperform the Russell 3000 Index with a focus on risk management and capital preservation. It is generally holds 25-60 stocks across a wide range of market capitalizations. American Depository Receipts (ADRs), exchange-traded funds (ETFs) and/or closed-end funds may also be used. This portfolio may also include Master Limited Partnerships (MLPs), which are treated differently than stocks for tax purposes. The team seeks to identify undervalued equity opportunities using a rigorous fundamental approach to security selection. The team manages equity portfolios by focusing on companies possessing strong free cash flow, attractive valuations, profit margin opportunities and changing internal dynamics. Individual security selection is based on, but not limited to, a careful analysis of a company's financial flexibility, earnings quality, valuation, business model and competitive position. The team also evaluates broader industry trends, relative growth and current investor expectations, in an effort to determine a proposed investment's "margin of safety" and risk/reward profile. The team monitors risk at both the portfolio and individual security level, with a focus on bottom-up securities analysis.
- ***Fundamental All-Cap Equity Portfolio ex-MLPs:*** The team uses the same strategy and methods of analysis as in the Fundamental All-Cap Equity Portfolio, but does not invest in MLPs.

- In general, as prevailing interest rates rise, **fixed income securities** prices fall. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.
- An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, including market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. An ETF that is designed to track an index may deviate from that index to some extent. The investment return and principal value of ETF investments fluctuate, so that ETF shares, if or when sold, may be worth more or less than the original cost.
- Many **closed-end funds**, unlike open-end funds, are not continuously offered. For such funds, there is a one-time public offering and, once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value (NAV) is total assets less total liabilities divided by the number of shares outstanding. At the time of sale, your shares may have a market price that is above or below NAV. There is no assurance that the fund will achieve its investment objective. The fund is subject to investment risks, including possible loss of principal invested.
- Currently, most **Master Limited Partnerships (MLPs)** operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors (including commodity pricing risk, supply and demand risk, depletion risk and exploration risk).
- **Different classes of securities** have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.
- **International securities** have additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in emerging markets.
- **Small capitalization** companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.
- Strategies that invest a large percentage of assets in only **one industry sector (or in only a few sectors)** are more vulnerable to price fluctuation than strategies that diversify among a broad range of sectors.
- When strategies invest in **a concentrated number of securities**, a decline in the value of these securities would cause your overall account value to decline to a greater degree than that of a less concentrated portfolio.
- A **tax enhanced strategy** may not be able to deliver realized losses because there are none to take, this would materially

impact tracking error (against the benchmark index) or the tracking error would not be consistent over time. Quantitative efforts to identify and correct biases may not reduce, but may increase, tracking error.

MSSB does not render advice on tax and tax accounting matters to clients. Statements relating to tax in this brochure are not intended or written to be used, and cannot be used or relied on by any recipient, for any purpose, including the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. You should consult your personal tax and/or legal advisor to learn about any potential tax or other implications that may result from acting on a particular recommendation.

Policies and Procedures Relating to Voting Client Securities

Electing Who Votes Proxies. If you have a GIS account, you may elect to:

- retain the authority and responsibility to vote proxies for your account
- delegate discretion to vote proxies to a third party (other than MSSB) or
- authorize us to vote proxies for such securities and receive related materials (and we, in turn, may delegate this function to any Subadvisor for your account).

Unless you authorize us to vote proxies, we will forward to you any proxy materials that we receive for securities in your account. Unless we vote proxies for you, we cannot advise you on particular proxy solicitations. If we vote proxies for you, you cannot instruct us on how to cast any particular vote.

We will not provide advice or take action with respect to legal proceedings (including bankruptcies) relating to the securities in your account, except to the extent required by law.

MSSB's Proxy Voting Policies and Procedures. This section only applies if you authorize us to vote proxies on your behalf.

We have established a Proxy Voting Committee with members designated by MSSB management. The Proxy Voting Committee has the authority to amend MSSB's proxy voting policies and procedures. The Proxy Voting Committee meets periodically to review generally its proxy voting policies and procedures, and to address any outstanding or special proxy voting issues. If you delegate proxy voting authority to MSSB, the Proxy Voting Committee (and not your Financial Advisor) makes proxy voting decisions for your account (unless your account is implemented by PPG), and you cannot direct the vote for any particular proxy.

To assist us in our proxy voting responsibilities, we have engaged ISS, a third party provider of corporate governance services. ISS provides in-depth research, analysis and voting recommendations, as well as vote execution, auditing and consulting assistance to handle proxy voting responsibility. Except as described below, MSSB votes in a manner consistent with ISS' policy guidelines and vote recommendations. Because

ISS makes its recommendations based on its independent, objective analysis of the economic interests of shareholders, its process ensures that we vote in clients' best interests and insulates our voting decisions from conflicts of interests.

If ISS cannot make a proxy vote recommendation, the Proxy Voting Committee independently determines how to vote proxies consistent with MSSB's policy to vote proxies solely in clients' best interests, for those accounts subject to Proxy Voting Committee processes.

While MSSB's policy is to vote proxies solely in clients' best interests, proxy votes cast by the Proxy Voting Committee may also benefit other clients of MSSB or its affiliates (including investment banking or other clients with whom MSSB or its affiliates has significant client relationships).

The Proxy Voting Committee may abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that this best serves clients' interests.

ISS enters proxies we cast on clients' behalf electronically into ISS' system.

However, if a Subadvisor is responsible for the day-to-day management of your account, the Subadvisor will also vote proxies. The Subadvisor will not take any action with respect to class actions relating to the securities in your account.

You may obtain from your Financial Advisor, on request:

- a complete copy of MSSB's proxy voting policies and procedures (including a copy of ISS' policy guidelines and vote recommendations in effect from time to time) or
- information on how proxy votes have been cast on your behalf during the prior annual period.

We retain books and records relating to our proxy voting activities on behalf of client accounts as required by law.

Item 7: Client Information Provided to Portfolio Managers

If your account is managed by the Applied Equity Advisors team but not implemented by PPG, the team receives various information about you, including your name, whether or not your account is taxable, state/country of residence and account restrictions. The team also receives information on your investment objectives, financial situation and investment history, risk tolerance and time horizon.

If your account is managed by the Applied Equity Advisors team and implemented by PPG, or if your account is managed by the Fundamental Equity Advisors team, we give this information to PPG so that PPG can implement your account (as described in Item 4.A).

If your account is managed by a Subadvisor, we give this information to the Subadvisor in connection with the Subadvisor managing your account.

Your Financial Advisor provides updated information to the PPG or the Subadvisor when needed to manage your account (e.g. changes in restrictions on the securities, or categories of securities, that your account can hold).

Item 8: Client Contact with Portfolio Managers

We do not restrict you from contacting and consulting with your GIS Portfolio Managers or Subadvisor. You are free to contact and consult with them during normal business hours.

Item 9: Additional Information

Disciplinary Information

This section contains information on certain legal and disciplinary events.

In this section, "MSDW" means Morgan Stanley DW Inc., a predecessor broker-dealer of MS&Co. and registered investment adviser that was merged into MS&Co. in April 2007. MS&Co. and CGM are predecessor broker-dealer firms of MSSB.

- The National Association of Securities Dealers Inc. ("NASD") alleged that between October, 1999 and December, 2002, MSDW violated the non-cash compensation provisions of the NASD Conduct Rules (under which MSDW was prohibited from providing its Financial Advisors with non-cash compensation for sales of mutual funds and variable annuities that were not based on total sales and equal weighting). MSDW offered rewards to its Financial Advisors for sales of affiliated mutual funds in general, or particular affiliated mutual funds or certain variable annuities. By a Letter of Acceptance, Waiver and Consent ("LAWC") dated September 15, 2003, MSDW agreed to (1) fines totaling \$2.25 million; (2) update its compliance systems and procedures; and (3) retain an independent consultant to review and make recommendations on MSDW's supervisory and compliance procedures.
- On April 28, 2003, the SEC filed a complaint alleging that MS&Co. violated certain NASD and New York Stock Exchange ("NYSE") Conduct Rules (collectively, the "Conduct Rules") by creating conflicts of interest for its research analysts with respect to investment banking activity, failing to adequately manage such conflicts, failing to ensure, in offerings where MS&Co. was the lead underwriter, that payments made to other broker-dealers for publishing research reports were disclosed by the issuers in the offering documents and the other broker-dealers in their research reports, and failing to supervise properly its research analysts, including with respect to the ratings, price targets and content of the reports of senior research analysts. Without admitting or denying the substantive allegations in the complaint, on October 31, 2003, MS&Co. consented to the entry of a final judgment that enjoined MS&Co. from violating the Conduct Rules and required it to make payments of \$50 million for past conduct and allocate \$75 million to fund independent research. In addition, MS&Co. agreed to a number of structural changes to the operations of

its equity research and investment banking operations. Concurrently, MS&Co. also entered into a settlement with the NYSE, the NASD and the Attorney General of the State of New York with respect to the same conduct specified in the complaint. MS&Co. is also in the process of finalizing settlements with the other state and territorial securities administrators.

- In 2003, Salomon Smith Barney (“SSB”), now known as CGM, settled civil and regulatory actions brought by the SEC, the NYSE, the NASD, the Attorney General of the State of New York (“NYAG”), and state securities regulators, which alleged violations of certain federal and state securities laws and regulations, and certain NASD and NYSE rules, by SSB arising out of certain business practices concerning sell-side research during 1999 to 2001, and initial public offerings (“IPOs”) during 1996 to 2000. The actions alleged, among other things, that SSB published fraudulent research reports, permitted inappropriate influence by investment bankers over research analysts, and failed to adequately supervise the employees who engaged in those practices. It was also alleged that SSB engaged in improper “spinning” of shares to executives of investment banking clients and failed to maintain policies and procedures reasonably designed to prevent the potential misuse of material non-public information in certain circumstances. Without admitting or denying the findings, SSB consented to (1) censures by NASD and the NYSE; (2) cease and desist orders in state proceedings prohibiting SSB from violating certain state laws and regulations; (3) a judgment prohibiting SSB from violating certain laws and regulations; (4) certain operational reforms; (5) participating in a voluntary initiative pursuant to which SSB will no longer make allocations of securities in hot IPOs to accounts of executive officers or directors of U.S. public companies; and (6) a payment of \$400 million.
- The SEC alleged disclosure violations in connection with marketing arrangements between MSDW and certain mutual fund complexes in connection with the offer and sale of class B shares in certain Morgan Stanley proprietary mutual funds in the amount of \$100,000 or more in a single transaction. The SEC also alleged that receipt of directed brokerage commissions as payment for such marketing arrangements contravened NASD Rule 2830(k). On November 17, 2003, without admitting or denying the findings, MSDW consented to orders including a censure; a cease and desist; and an undertaking to distribute, for the benefit of certain customers, \$50 million dollars, consisting of disgorgement plus prejudgment interest in the amount of \$25 million and civil penalty of \$25 million. MSDW also made certain other undertakings including (1) preparing and distributing certain disclosures and a mutual fund bill of rights; (2) permitting certain class B shares to be converted to class A shares; and (3) retaining an independent consultant to review, among other things, the completeness of the disclosures and conformity with other aspects of the order.
- In 2004, the NYSE brought an administrative action alleging that MS&Co. and MSDW (1) failed to ensure delivery of prospectuses in connection with certain sales of securities; (2) failed to timely and accurately file daily program trade reports; (3) erroneously executed certain sell orders on a minus tick for securities in which MS&Co. held a short position; (4) failed to timely submit RE-3 in connection with certain matters; (5) hired certain individuals subject to statutory disqualification and failed to file fingerprint cards for certain non-registered employees; (6) failed to comply with requirements concerning certain market-on-close and limit-on-close orders; and (7) failed to reasonably supervise certain activities. MS&Co. and MSDW resolved the action on January 7, 2005, by consenting, without admitting or denying guilt, to a censure, a fine of \$13 million, and a rescission offer to those clients who should have received a prospectus during the period from June 2003 to September 2004.
- In January 2005, the SEC filed a complaint in federal court alleging that, during 1999 and 2000, MS&Co. violated Regulation M by attempting to induce certain customers who received allocations of IPOs to place purchase orders for additional shares in the aftermarket. The SEC did not allege fraud or impact on the market. On January 25, 2005, MS&Co. agreed to the entry of a judgment enjoining MS&Co. from future violations and the payment of a \$40 million civil penalty. The settlement terms received court approval on February 4, 2005.
- In March 2005, the SEC entered an administrative and cease and desist order against CGM for two disclosure failures by CGM in offering and selling mutual fund shares. Firstly, CGM received from mutual fund advisers and distributors revenue sharing payments, in exchange for which CGM granted mutual funds preferential sales treatment. The order found that CGM did not adequately disclose its revenue sharing program to its clients, in violation of the Securities Act of 1933 (“Securities Act”) and Rule 10b-10 under the Securities Exchange Act of 1934 (“Exchange Act”). Secondly, on sales of Class B mutual fund shares in amounts aggregating \$50,000 or more, the order found that CGM, in violation of the Securities Act, failed to disclose adequately at the point of sale that such shares were subject to higher annual fees. These fees could have a negative impact on client investment returns, depending on the amount invested and the intended holding period. The SEC order censured CGM, required CGM to cease and desist from future violations of the applicable provisions, and required CGM to pay a \$20 million penalty.
- In March 2005, the NASD censured and fined CGM with respect to CGM’s offer and sale of Class B and Class C mutual fund shares during 2002 and the first six months of 2003. The NASD found that CGM either had not adequately disclosed at the point of sale, or had not adequately considered in connection with its recommendations to clients to purchase Class B and Class C shares, the differences in share classes and that an equal investment in Class A shares generally would have been more advantageous for the clients. The NASD also found that CGM’s supervisory and compliance policies and procedures regarding Class B and Class C shares had not been reasonably designed to ensure that SB Financial Consultants consistently provided adequate disclosure of, or consideration to, the benefits of the various mutual fund share classes as they applied to individual

clients. The NASD censured CGM and required CGM to pay a \$6.25 million fine.

- On May 31, 2005, the SEC issued an order in connection with the settlement of an administrative proceeding against Smith Barney Fund Management LLC (“SBFM”) and CGM relating to the appointment of an affiliated transfer agent for the Smith Barney family of mutual funds (“Smith Barney Funds”). SBFM was an affiliate of CGM during the applicable period.

The SEC order found that SBFM and CGM willfully violated section 206(1) of the Investment Advisers Act of 1940 (“Advisers Act”). Specifically, the order found that SBFM and CGM knowingly or recklessly failed to disclose to the Boards of the Smith Barney Funds in 1999 when proposing a new transfer agent arrangement with an affiliated transfer agent that: First Data Investors Services Group (“First Data”), the Smith Barney Funds’ then-existing transfer agent, had offered to continue as transfer agent and do the same work for substantially less money than before; and Citigroup Asset Management (“CAM”), the Citi business unit that includes the Smith Barney Funds’ investment manager and other investment advisory companies, had entered into a side letter with First Data under which CAM agreed to recommend the appointment of First Data as sub-transfer agent to the affiliated transfer agent in exchange, among other things, for a guarantee by First Data of specified amounts of asset management and investment banking fees to CAM and CGM. The order also found that SBFM and CGM willfully violated section 206(2) of the Advisers Act by virtue of the omissions discussed above and other misrepresentations and omissions in the materials provided to the Smith Barney Funds’ Boards, including the failure to make clear that the affiliated transfer agent would earn a high profit for performing limited functions while First Data continued to perform almost all of the transfer agent functions, and the suggestion that the proposed arrangement was in the Smith Barney Funds’ best interests and that no viable alternatives existed. SBFM and CGM did not admit or deny any wrongdoing or liability. The settlement did not establish wrongdoing or liability for purposes of any other proceeding.

The SEC censured SBFM and CGM and ordered them to cease and desist from violations of sections 206(1) and 206(2) of the Advisers Act. The order required Citi to pay \$208.1 million, including \$109 million in disgorgement of profits, \$19.1 million in interest, and a civil money penalty of \$80 million. Approximately \$24.4 million has already been paid to the Smith Barney Funds, primarily through fee waivers. The remaining \$183.7 million, including the penalty, has been paid to the U.S. Treasury.

The order required SBFM to recommend a new transfer agent contract to the Smith Barney Fund Boards within 180 days of the entry of the order; if a Citi affiliate submitted a proposal to serve as transfer agent or sub-transfer agent, an independent monitor must be engaged at the expense of SBFM and CGM to oversee a competitive bidding process. Under the order, Citi also must comply with an amended version of a vendor policy that Citi instituted in August 2004.

That policy, as amended, among other things, requires that when requested by a Smith Barney Fund Board, CAM will retain at its own expense an independent consulting expert to advise and assist the Board on the selection of certain service providers affiliated with Citi.

- In a LAWC dated August 1, 2005, the NASD found that MSDW failed to establish and maintain a supervisory system, including written procedures, reasonably designed to review and monitor MSDW’s fee-based brokerage business, between January 2001 and December 2003. Without admitting or denying the allegations, MSDW consented to the described sanctions and findings and was censured and fined \$1.5 million, and agreed to the payment of restitution to 3,549 customers in the total amount of approximately \$4.7 million, plus interest.
- The SEC alleged that MS&Co. violated the Exchange Act by inadvertently failing to timely produce emails to the SEC staff pursuant to subpoenas in the SEC’s investigation into MS&Co.’s practices in allocating shares of stock in IPOs and an investigation into conflicts of interest between MS&Co.’s research and investment banking practices. Without admitting or denying the allegations, MS&Co. consented to a final judgment on May 12, 2006 in which it was permanently restrained and enjoined from violating the Exchange Act. MS&Co. agreed to make payments aggregating \$15 million, which amount was reduced by \$5 million contemporaneously paid by MS&Co. to the NASD and the NYSE in related proceedings. MS&Co. also agreed to notify the SEC, the NASD and the NYSE that it has adopted and implemented policies and procedures reasonably designed to ensure compliance with the Exchange Act. MS&Co. also agreed to provide annual training to its employees responsible for preserving or producing electronic communications and agreed to retain an independent consultant to review and comment on the implementation and effectiveness of the policies, procedures and training.
- On June 27, 2006, the SEC announced the initiation and concurrent settlement of administrative cease and desist proceedings against MS&Co. and MSDW for failing to maintain and enforce adequate written policies and procedures to prevent the misuse of material nonpublic information. The SEC found that from 1997 through 2006, MS&Co. and MSDW violated the Exchange Act and the Advisers Act by failing to (1) conduct any surveillance of a number of accounts and securities; (2) provide adequate guidance to MS&Co.’s and MSDW’s personnel charged with conducting surveillance; and (3) have adequate controls in place with respect to certain aspects of “Watch List” maintenance. The SEC’s findings covered different areas from the 1997 through 2006 time period. MS&Co. and MSDW were ordered to pay a civil money penalty of \$10 million and agreed to enhance their policies and procedures.
- On August 21, 2006, MS&Co. and MSDW entered into a LAWC relating various finds that, at various times between July 1999 and 2005, MS&Co. violated a number of NASD and SEC rules. The violations related to areas including trade reporting through the Nasdaq Market Center (formerly Automated Confirmation Transaction Service (ACT)), Trade

Reporting and Compliance Engine (TRACE) and Order Audit Trail System (OATS); market making activities; trading practices; short sales; and large options positions reports. The NASD also found that, at various times during December 2002 and May 2005, MSDW violated NASD rules and Municipal Securities Rulemaking Board (“MSRB”) rules related to areas including trade reporting through TRACE, short sales, and OATS. The NASD further found that, in certain cases, MS&Co. and MSDW violated NASD Rule 3010 because their supervisory systems did not provide supervision reasonably designed to achieve compliance with securities laws, regulations and/or rules.

Without admitting or denying the findings, MS&Co. and MSDW consented to the LAWC. In the LAWC, MS&Co. and MSDW were censured, required to pay a monetary fine of \$2.9 million and agreed to make restitution to the parties involved in certain transactions, plus interest, from the date of the violative conduct until the date of the LAWC. MS&Co. and MSDW also consented to (1) revise their written supervisory procedures; and (2) provide a report that described the corrective action that they completed during the year preceding the LAWC to address regulatory issues and violations addressed in the LAWC, and the ongoing corrective action that they were in the process of completing.

- On May 9, 2007, the SEC issued an Order (“May 2007 Order”) settling an administrative action with MS&Co. In this matter, the SEC found that MS&Co. violated its duty of best execution under the Exchange Act. In particular, the SEC found that, during the period of October 24, 2001 through December 8, 2004, MS&Co.’s proprietary market-making system failed to provide best execution to certain retail OTC orders. In December 2004, MS&Co. removed the computer code in the proprietary market-making system that caused the best execution violations. MS&Co. consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, to pay disgorgement of approximately \$5.9 million plus prejudgment interest on that amount, and to pay a civil penalty of \$1.5 million. MS&Co. also consented to retain an Independent Compliance Consultant to review its policies and procedures in connection with its market-making system’s order handling procedures and its controls relating to changes to those procedures, and to develop a better plan of distribution.
- On July 13, 2007, the NYSE issued a Hearing Board Decision in connection with the settlement of an enforcement proceeding brought in conjunction with the New Jersey Bureau of Securities against CGM. The decision held that CGM failed to (1) adequately supervise certain branch offices and Financial Advisors who engaged in deceptive mutual fund market timing on behalf of certain clients from January 2000 through September 2003 (in both proprietary and non-proprietary funds); (2) prevent the Financial Advisors from engaging in this conduct; and (3) make and keep adequate books and records. Without admitting or denying the findings, CGM agreed to (a) a censure; (b) establishing a \$35 million distribution fund for disgorgement payments; (c) a penalty of \$10 million (half to be paid to the NYSE and half to be paid to the distribution fund); (d) a

penalty of \$5 million to be paid to the State of New Jersey; and (e) appointing a consultant to develop a plan to pay CGM’s clients affected by the market timing.

- On September 27, 2007, MS&Co. entered into a LAWC with the Financial Industry Regulatory Authority (“FINRA”). FINRA found that, from October 2001 through March 2005, MSDW provided inaccurate information to arbitration claimants and regulators regarding the existence of pre-September 11, 2001 emails, failed to provide such emails in response to discovery requests and regulatory inquiries, failed adequately to preserve books and records, and failed to establish and maintain systems and written procedures reasonably designed to preserve required records and to ensure that it conducted adequate searches in response to regulatory inquiries and discovery requests. FINRA also found that MSDW failed to provide arbitration claimants with updates to a supervisory manual in discovery from late 1999 through the end of 2005. MS&Co. agreed, without admitting or denying these findings, to establish a \$9.5 million fund for the benefit of potentially affected arbitration claimants. In addition, MS&Co. was censured and agreed to pay a \$3 million regulatory fine and to retain an independent consultant to review its procedures for complying with discovery requirements in arbitration proceedings relating to its retail brokerage operations.
- On October 10, 2007, MS&Co. became the subject of an Order Instituting Administrative and Cease-And-Desist Proceedings (“October 2007 Order”) by the SEC. The October 2007 Order found that, from 2000 until 2005, MS&Co. and MSDW failed to provide to their retail customers accurate and complete written trade confirmations for certain fixed income securities in violation of the Exchange Act and MSRB rules. In addition, MS&Co. was ordered to cease and desist from committing or causing any future violations, and was required to pay a \$7.5 million penalty and to retain an independent consultant to review MS&Co.’s applicable policies and procedures. MS&Co. consented to the issuance of the October 2007 Order without admitting or denying the SEC’s findings.
- On December 18, 2007, MS&Co. became the subject of an Order Instituting Administrative Cease-and-Desist Proceedings (“December 2007 Order”) by the SEC. The December 2007 Order found that, from January 2002 until August 2003, MSDW (1) failed to reasonably supervise four Financial Advisors, with a view to preventing and detecting their mutual fund market-timing activities and (2) violated the Investment Company Act of 1940 by allowing multiple mutual fund trades that were placed or amended after the close of trading to be priced at that day’s closing net asset value. The December 2007 Order also found that, from 2000 through 2003, MSDW violated the Exchange Act by not making and keeping records of customer orders placed after the market close and orders placed for certain hedge fund customers in variable annuity sub-accounts. Without admitting or denying the SEC’s findings, MS&Co. agreed to a censure, to cease and desist from future violations of the applicable provisions, to pay a penalty of approximately \$11.9 million, to disgorge profits related to the trading activity (including prejudgment interest) of approximately

\$5.1 million and to retain an independent distribution consultant.

- In May 2005, MS&Co. and MSDW discovered that, from about January 1997 until May 2005, their order entry systems did not check whether certain secondary market securities transactions complied with state registration requirements known as Blue Sky laws. This resulted in the improper sale of securities that were not registered in 46 state and territorial jurisdictions. MS&Co. and MSDW conducted an internal investigation, repaired system errors, self-reported the problem to all affected states and the New York Stock Exchange, identified transactions which were executed in violation of the Blue Sky laws, and offered rescission to affected customers. MS&Co. settled the state regulatory issues in a multi-state settlement with the 46 affected state and territorial jurisdictions. Under the settlement, MS&Co. consented to a cease and desist order with, and agreed to pay a total civil monetary penalty of \$8.5 million to be divided among, each of the 46 state and territorial jurisdictions. The first order was issued by Alabama on March 19, 2008, and orders are expected to be issued by subsequent states over the coming months.
- On August 13, 2008, MS&Co. agreed on the general terms of a settlement with the NYAG and the Office of the Illinois Secretary of State, Securities Department ("Illinois") (on behalf of a task force of the North American Securities Administrators Association ("NASAA")) with respect to the sale of auction rate securities ("ARS"). MS&Co. agreed, among other things, to repurchase at par approximately \$4.5 billion of illiquid ARS held by certain clients of MS&Co. which were purchased prior to February 13, 2008. Additionally, MS&Co. agreed to pay a total fine of \$35 million. Final agreements were entered into with the NYAG on June 2, 2009 and with Illinois on September 17, 2009. The Illinois agreement serves as the template for agreements with other NASAA jurisdictions.
- On November 13, 2008, in connection with the settlement of a civil action arising out of an investigation by the SEC into CGM's underwriting, marketing and sale of ARS, CGM, without admitting or denying the allegations of the SEC's complaint, except as to those relating to personal and subject matter jurisdiction, which were admitted, consented to the entry in the civil action of a Judgment As To Defendant Citigroup Global Markets Inc. ("November 2008 Judgment"). Thereafter, on December 11, 2008, the SEC filed its civil action in the federal district court for the Southern District of New York ("Court"). The November 2008 Judgment, which was entered on December 23, 2008 (i) permanently enjoined CGM from directly or indirectly violating section 15(c) of the Exchange Act; (ii) provides that, on later motion of the SEC, the Court is to determine whether it is appropriate to order that CGM pay a civil penalty pursuant to section 21(d)(3) of the Exchange Act, and if so, the amount of the civil penalty; and (iii) ordered that CGM's Consent be incorporated into the November 2008 Judgment and that CGM comply with all of the undertakings and agreements in the Consent, which include an offer to buy back at par certain ARS from certain customers. The SEC's complaint alleged that (1) CGM misled tens of thousands of

its customers regarding the fundamental nature of and risks associated with ARS that CGM underwrote, marketed and sold; (2) through its financial advisers, sales personnel and marketing materials, CGM misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments; (3) as a result, numerous CGM customers invested in ARS funds they needed to have available on a short-term basis; (4) in mid-February 2008, CGM decided to stop supporting the auctions; and (5) as a result of the failed auctions, tens of thousands of CGM customers held approximately \$45 billion of illiquid ARS, instead of the liquid short-term investments CGM had represented ARS to be. CGM reached substantially similar settlements with the NYAG and the Texas State Securities Board ("TSSB"), although those settlements were administrative in nature and neither involved the filing of a civil action in state court. The settlements with the NYAG and the TSSB differed somewhat from the settlement with the SEC in that the state settlements (a) made findings that CGM failed to preserve certain recordings of telephone calls involving the ARS trading desk; and (b) required CGM to refund certain underwriting fees to certain municipal issuers. In addition, as part of the settlement with New York, CGM paid a civil penalty of \$50 million. CGM also agreed in principle to pay to states other than New York with which it enters into formal settlements a total of \$50 million. CGM paid \$3.59 million of this \$50 million to Texas as part of the settlement with that state. CGM expects it will reach settlements with the remaining states.

- On March 25, 2009, MS&Co. entered into a LAWC with FINRA. FINRA found that, from 1998 through 2003, MSDW failed to reasonably supervise the activities of two Financial Advisors in one of its branches. FINRA found that these Financial Advisors solicited brokerage and investment advisory business from retirees and potential retirees of certain large companies by promoting unrealistic investment returns and failing to disclose material information. FINRA also held that MS&Co. failed to ensure that the securities and accounts recommended for the retirees were properly reviewed for appropriate risk disclosure, suitability and other concerns. MS&Co. consented, without admitting or denying the findings, to a censure, a fine of \$3 million, and restitution of approximately \$2.4 million plus interest to 90 former clients of the Financial Advisors.

MSSB's Form ADV Part 1 contains further information about its disciplinary history, and is available on request from your Financial Advisor

Other Financial Industry Activities and Affiliations

Morgan Stanley Parent is a financial holding company under the Bank Holding Company Act of 1956. Morgan Stanley is a corporation whose shares are publicly held and traded on the New York Stock Exchange. Prior to June 28, 2013, MSSB was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley Parent and 35% by Citi. On June 28, 2013, Morgan Stanley Parent purchased Citi's 35% interest in MSSB. Accordingly, MSSB is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

Activities of Morgan Stanley Parent. Morgan Stanley Parent is a global firm engaging, through its various subsidiaries, in a wide range of financial services including:

- securities underwriting, distribution, trading, merger, acquisition, restructuring, real estate, project finance and other corporate finance advisory activities
- merchant banking and other principal investment activities
- brokerage and research services
- asset management
- trading of foreign exchange, commodities and structured financial products and
- global custody, securities clearance services and securities lending.

Broker-Dealer and FCM Registrations. As well as being a registered investment advisor, MSSB is registered as a broker-dealer and a futures commission merchant.

Restrictions on Executing Trades. As MSSB is affiliated with MS&Co. and its affiliates, the following restrictions apply when executing client trades:

- MSSB and MS&Co. generally do not act as principal in executing trades for MSSB investment advisory clients (except to the extent permitted by a program and the law).
- Regulatory restrictions may limit your ability to purchase, hold or sell equity and debt issued by Morgan Stanley Parent and its affiliates in some investment advisory programs.
- Certain regulatory requirements may limit MSSB's ability to execute transactions through alternative execution services (e.g., electronic communication networks and crossing networks) owned by MSSB, MS&Co. or their affiliates.

These restrictions may adversely impact client account performance.

See Item 6.B above for conflicts arising from our affiliation with MS&Co. and its affiliates.

Related Investment Advisors and Other Service Providers. MSSB has related persons that are the investment advisers to mutual funds in various investment advisory programs (including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management Limited and Consulting Group Advisory Services LLC). If you invest your assets in an affiliated mutual fund, MSSB and its affiliates earn more money than if you invest in an unaffiliated mutual fund. Generally, for Retirement Plans, MSSB rebates or offsets fees so that MSSB complies with IRS and Department of Labor rules and regulations.

Morgan Stanley Investment Management Inc. and its wholly owned subsidiary Morgan Stanley Services Company Inc. serve in various advisory, management and administrative capacities to open-end and closed-end investment companies and other portfolios (some of which are listed on the NYSE).

Morgan Stanley Distribution Inc. serves as distributor for these open-end investment companies, and has entered into selected dealer agreements with MSSB and affiliates. Morgan Stanley Distribution Inc. also may enter into selected dealer agreements with other dealers. Under these agreements, MSSB and affiliates, and other selected dealers, are compensated for sale of fund shares to clients on a brokerage basis, and for shareholder servicing (including pursuant to plans of distribution adopted by the investment companies pursuant to Rule 12b-1 under the Investment Company Act of 1940).

Morgan Stanley Services Company Inc., an affiliate of MSSB, serves as transfer agent and dividend disbursing agent for investment companies advised by Morgan Stanley Investment Management Inc. and other affiliated investment advisers and may receive annual per shareholder account fees from or with respect to them and certain unaffiliated investment companies.

Related persons of MSSB act as general partner, administrative agent or managing member in a number of funds in which clients may be solicited in a brokerage or advisory capacity to invest. These include funds focused on private equity investing, investments in leveraged buyouts, venture capital opportunities, research and development ventures, real estate, managed futures, hedge funds, funds of hedge funds and other businesses.

See Item 4.C above for a description of cash sweep investments managed or held by related persons of MSSB.

See Item 6.B above for a description of various conflicts of interest.

Code of Ethics

The MSSB U.S. Investment Advisory Code of Ethics ("Code") applies to MSSB's employees, supervisors, officers and directors engaged in offering or providing investment advisory products and/or services (collectively, the "Employees"). In essence, the Code prohibits Employees from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Employees must always place the interests of MSSB's clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage. Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals, branches and departments they supervise.

The Code generally operates to protect against conflicts of interest either by subjecting Employee activities to specified limitations (including pre-approval requirements) or by prohibiting certain activities. Key provisions of the Code include:

- An Employee who wishes to conduct business activity outside of his or her employment with MSSB, regardless of whether that Employee receives compensation for this activity, must first obtain written authorization from his or her supervisor. (Outside activities include serving as an officer or director of a business organization or non-profit

entity, and accepting compensation from any person or organization other than MSSB.)

- Employees are generally prohibited from giving or receiving gifts or gratuities greater than \$100 per recipient per calendar year to or from persons or organizations with which MSSB has a current or potential business relationship, clients, or persons connected with another financial institution, a securities or commodities exchange, the media, or a government or quasi-governmental entity.
- Employees cannot enter into a lending arrangement with a client (unless they receive prior written approval from their supervisor and MSSB's Compliance Department).
- MSSB maintains a "Restricted List" of issuers for which it may have material non-public information or other conflicts of interest. Employees cannot, for themselves or their clients, trade in securities of issuers on the "Restricted List" (unless they receive prior written approval from the Compliance Department).
- Certain Employees, because of their potential access to non-public information, must obtain prior written approval or provide pre-trade notification before executing certain securities transactions for their personal securities accounts. All Employees must also follow special procedures for investing in private securities transactions.

GIS employees generally cannot trade securities they own on the same day as clients trade that security in any strategy managed by the corresponding GIS Portfolio Manager team. However, if the GIS employee's account is implemented by PPG, this prohibition does not apply to trades resulting from portfolio changes applying across the board to clients invested in a strategy, trades to bring the GIS employee's account in line with the strategy, or tax harvesting trades. GIS employees may thereby acquire, and compete for, positions or interests in the same securities as their clients which may affect the security's price, which constitutes a conflict of interest because client accounts may at times be indirectly negatively impacted. We address this conflict by restricting the circumstances in which GIS employees' accounts may trade alongside client accounts (including our requirement that such trades only be made in accounts implemented by PPG).

You may obtain a copy of the Code from your Financial Advisor.

See Item 6.B above.

Reviewing Accounts

In the strategies that PPG implements (see Item 4.A above), PPG portfolio managers and associates check accounts daily to ensure, e.g., that accounts are invested in accordance with the instructions PPG has received from the GIS Portfolio Managers.

Some accounts managed by the Applied Equity Advisors team are implemented by PPG, so the review process described above applies. For other Applied Equity Advisor accounts, portfolio managers and/or other team members review performance of each strategy daily and performance of every account in a

strategy weekly. They perform attribution analysis on individual accounts as needed.

For strategies managed by Subadvisors, portfolio managers employed by the Subadvisor regularly review accounts to ensure that they are properly invested in accordance with clients' instructions.

We will ask you at least annually if your investment objectives have changed. If your objectives change, you should discuss with your Financial Advisor whether your selected GIS Portfolio Managers are still suitable for your needs.

See Item 4.A above for a discussion of account statements and performance reports.

Client Referrals and Other Compensation

Our Professional Alliance Group program allows certain unaffiliated third parties to refer clients to MSSB. If the client invests in an investment advisory program, we pay the third party an ongoing referral fee (generally about 25% of the portion of the client fee that we would otherwise allocate to the Financial Advisor). We may pay a fee greater or less than 25% depending on the facts and circumstances of the relationship.

Financial Information

We are not required to include a balance sheet in this brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.

MSSB and its predecessors have not been the subject of a bankruptcy petition during the past 10 years.

Exhibit: Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement

Sweep Vehicles in Retirement Accounts and CESAs

Since the dates below (“Effective Dates”), the following “Retirement Plan Accounts” (IRAs, Employee Benefit Trusts (“EBTs”), Retirement Plan manager (“RPM”) accounts and Versatile Investment Program (“VIP”) accounts) and Coverdell Education Savings Accounts (“CESAs”) have generally been effecting temporary sweep transactions of new uninvested cash balances into Deposit Accounts established under the Bank Deposit Program (although SB Channel Retirement Plan Accounts did not begin using BDP as the Sweep Investment until MSSB merged its SB Channel and MS Channel in 2012):

- September 17, 2007 for IRAs (e.g., Traditional, Roth, Rollover, SEP, SAR-SEP, SIMPLE), and
- May 19, 2008 for the remaining Retirement Plan Accounts (i.e., EBT, RPM and VIP accounts) and CESAs.

Before the Effective Dates, MSSB effected such sweep transactions using the Morgan Stanley money market funds listed in the table below as follows (although SB Channel Retirement Plan Accounts did not begin using these Morgan Stanley money market funds as the Sweep Investment until some time after the Effective Date):

- IRAs or CESAs in advisory programs swept into the Morgan Stanley Liquid Asset Fund Inc. (“ILAF”) and
- all other Retirement Plan Accounts in advisory programs swept into one or a number of different proprietary mutual funds (which could have included ILAF) depending on the type of account and the advisory program.

As of the Effective Dates, any existing balances in these Morgan Stanley money market funds remained in the funds, pending use for account charges and other purposes. Therefore, these accounts could still maintain cash balances in these funds.

Now, as an alternative to the Deposit Account, Retirement Plan Accounts and CESAs can choose to sweep into ILAF.

For Retirement Plan Accounts that swept into affiliated money market funds before the Effective Dates and continue to hold cash amounts in these funds, or that now select one of these funds:

- any fee designated in the table below as “Advisory Fee” received by an MSSB affiliate is offset against the advisory program fees and
- any fees designated in the table as “Distribution and Service Fees” received by MSSB or its affiliates is credited to the account.

Accordingly, changes in these fees over time did not affect the fees paid by Retirement Plan Accounts.

Interest Earned on Float

If MSSB is the custodian of your account, MSSB may retain as compensation, for providing services, the account’s proportionate share of any interest earned on cash balances held by MSSB (or an affiliate) with respect to assets awaiting investment including:

- new deposits to the account (including interest and dividends) and
- uninvested assets held by the account caused by an instruction to the custodian to buy and sell securities (which may, after the period described below, be automatically swept into a sweep vehicle).

This interest is generally at the prevailing Federal Funds interest rate.

Generally, with respect to such assets awaiting investment:

- when the custodian receives the assets on a day on which the NYSE is open (“Business Day”) and before the NYSE closes, the custodian earns interest through the end of the following Business Day and
- when the custodian receives the assets on a Business Day but after the NYSE closes, or on a day which is not a Business Day, the custodian earns interest through the end of the second following Business Day.

MSSB as an ERISA fiduciary

If MSSB is a fiduciary (as that term is defined under ERISA or the Code) with respect to the Retirement Plan Account, the table below describes the fees and expenses charged to assets invested in shares of the money market funds in which the account invests (expressed as a percentage of each fund’s average daily net assets for the stated fiscal year). Note that:

- The rate of Advisory Fee and Distribution and Service Fees (including 12b-1 fees) (whether in basis points or dollars) may not be increased without first obtaining shareholder approval.
- Expenses designated as “Other Expenses” include all expenses not otherwise disclosed in the table that were deducted from each fund’s assets or charged to all shareholder accounts in the stated fiscal year (and may change from year to year).

These fees and expenses may be paid to MSSB and its affiliates for services performed. The aggregate amount of these fees is stated in the tables below. The amounts of expenses deducted from a fund's assets are shown in each fund's statement of operations in its annual report.

Morgan Stanley Investment Management (and/or its affiliates) may, from time to time, waive part of its advisory fee or assume or reimburse some of a fund's operating expenses. (This may be for a limited duration.) Such actions are noted in the fund's prospectus and/or statement of additional information. The table below shows the Total Annual Fund Operating Expenses (before management fee waivers and/or expense reimbursements) and the Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements.

MSSB believes that investing in shares of the funds for sweep purposes may be appropriate for Retirement Plans because using professionally managed money market funds allows you to access cash on an immediate basis, while providing a rate of return on your cash positions pending investment. As is typical of such arrangements, we use only affiliated money funds for this purpose.

MSSB also believes that investing a Retirement Plan's assets in the Deposit Accounts may also be appropriate. Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which has been provided to you with your account opening materials.

The fund expense information below reflects the most recent information available to us as of March 13, 2013, and is subject to change. Please refer to the funds' current prospectuses, statements of additional information and annual reports for more information.

Fund	Advisory Fee	Distribution and Service Fees	Other Expenses	Total Annual Fund Operating Expenses	Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements
Active Assets Money Trust	0.24%	0.10%	0.08%	0.42%	0.23%
Active Assets Government Securities Trust	0.45%	0.10%	0.15%	0.70%	0.11%
Active Assets Institutional Government Securities Trust	0.10%	None	0.07%	0.17%	0.11%
Active Assets Institutional Money Trust	0.10%	None	0.07%	0.17%	0.16%
Morgan Stanley Liquid Asset Fund Inc.	0.24%	0.10%	0.13%	0.47%	0.25%
Morgan Stanley U.S. Government Money Market Trust	0.36%	0.10%	0.10%	0.56%	0.09%